

CANADIAN PAYMENTS ASSOCIATION
ASSOCIATION CANADIENNE DES PAIEMENTS

RULE G3
RULES PERTAINING TO
THE REDEMPTION AND SETTLEMENT OF
GOVERNMENT OF CANADA
PAPER INSTRUMENTS

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Rule G3 - Rules Pertaining to the Redemption and Settlement of Government of Canada Paper Instruments

Implementation and Revisions

Implemented

November 1, 1994

Amendments Pre-November 2003

October 14, 1997, June 18, 1998, February 4, 1999, March 4, 1999, May 3, 1999, April 1, 2000, July 24, 2000 and April 15, 2002.

Amendments Post-November 2003

1. Section 4, approved by the Board February 26, 2004, effective April 26, 2004.
2. Section 4, approved by the Board June 29, 2004, effective January 5, 2005.
3. Amendments to accommodate the three (3) new Streams for Government Paper Instruments introduced with the new ACSS Version 12, approved by the Board November 24, 2011, effective April 2, 2012.
4. Amendments to sections 2 and 3 to accommodate for the use of Clearing Replacement Documents, approved by the Board March 29, 2012, effective October 1, 2012.
5. New Section to provide additional requirements related to the destruction of original Receiver General Warrants when a CRD or image of the warrant has been created, approved by the Board June 6, 2012, effective October 1, 2012.
6. Amendments to accommodate the electronic exchange of Image Captured Government of Canada Paper Instruments, approved by the Board June 13, 2013, effective August 12, 2013.
7. Amendment to Appendix I to update the pre-addressed label for pouches destined to New Canada Savings Bonds - blue labels. Approved by the President, effective October 5, 2018.

Rule G3 - Rules Pertaining to the Redemption of Government of Canada Paper Instruments

Introduction

1. This Rule outlines the general requirements with respect to the redemption of Government of Canada Paper Instruments.

Definitions

2. In this Rule,
 - (a) "Adjustment" means a requirement to rectify a reconciliation clearing error and pursue an offsetting credit or debit. Examples of such errors include, but are not limited to, the receipt of Free Items, capture or balancing errors, missing items or routing errors;
 - (b) "Authorized Institution" means a Member that has been authorized by prior agreement with the Bank of Canada or the Receiver General for Canada to obtain reimbursement for certain categories of Government of Canada Instruments from the Bank of Canada;
 - (c) "Capturing Member" means a Member, or its Clearing Agent on behalf of that Member, that creates or purports to create an Image in accordance with this Rule.
 - (d) "Clearing Replacement Document" or "CRD" means a printed form of Image created by a Member that meets the specifications in Standard 014 - Clearing Replacement Document Design Standard, and which may be used in place of a Government of Canada Paper Instrument in accordance with this Rule and Rule A10 (except Part IV – Return Procedures);
 - (e) "Data Centre" means the organizational unit designated by a drawee to which its items are directed at a Regional Exchange Point;
 - (f) "Government Items Clearing Log" means a report recapping payment claims against the Bank of Canada for redemption of eligible Receiver General of Canada Instruments;
 - (g) "Government of Canada Paper Instrument" includes Canada Savings Bonds and other Government of Canada bonds, Canada Saving Bond certificates, Treasury Bills, Government of Canada Bond coupons, and Receiver General Warrants;
 - (h) "ICP Exchange (Image Captured Payment Exchange)" means the process by which eligible Items are Exchanged through the transmission and receipt of the electronic information representing an Item, as contained in an ICP File, where the corresponding Image for such information either accompanies the information within the ICP File or is otherwise made available to both the sending and receiving parties.
 - (i) "ICP Item" means an eligible Item exchanged electronically in an ICP File.
 - (j) "ICP File" means an electronic file that is created in accordance with this Rule and Rule A10 for the purpose of electronic Image exchange between a sending and a receiving Direct Clearer or the Receiver General, which contains electronic information representing eligible Items and which may include the corresponding Images.
 - (k) "Image Printout" means any paper output of an Image, created by a Member.
 - (l) "LVTS Payment Message" means a payment message as defined in LVTS Rule 1;
 - (m) "Member" means any of those persons who are Members of the Association pursuant to section 4 of the CPA Act; [CPA Act]

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- (n) "Receiver General Warrant" means an authorization for the payment of money drawn on or by the Government of Canada and payable by the Government of Canada. (Note: In this Rule, the term "Receiver General Warrant" encompasses both Receiver General Warrants and Employment Insurance Benefit Warrants.); and
- (o) "Settlement Voucher" means a payment item issued by and drawn on a Member or eligible non-Member for the purpose of transferring funds to another Member or eligible non-Member.

Eligible Instruments

- 3. (a) The following Government of Canada Paper Instruments (hereinafter referred to as "instruments") are eligible for redemption pursuant to this Rule:
 - (i) Canada Savings Bonds;

Eligible Instruments (cont'd)

- (ii) Canada Savings Bond Certificates;
 - (iii) other Government of Canada bonds;
 - (iv) Treasury Bills;
 - (v) Government of Canada Bond coupons (including Canada Savings Bond coupons); and
 - (vi) Receiver General Warrants - these do not include Departmental Bank Account cheques that are drawn on CPA members.
- (b) CRDs created by a Capturing Member for the purpose of presenting any eligible instrument listed in section 16(a)(i) or 16(a)(ii).
- (c) ICP Items created by a Capturing Member for the purpose of presenting any eligible instrument listed in section 16(a)(iv) or 16(a)(v) provided that consent to exchange has been obtained from the Receiver General or the Bank of Canada, as applicable.

Microfilming/Imaging

- 4. Authorized Institutions shall keep a record of Receiver General Warrants and Canada Savings Bond certificates by microfilming or imaging them. These records shall be maintained for a period of six years.

Segregation of Government of Canada Instruments for Packaging and Shipping

- 5. (a) Instruments shall be segregated according to the categories listed in section 3 and subsections (b) and (c) below.
- (b) Government of Canada Bond coupons shall be further segregated into the following sub-categories:
 - (i) those with a value of \$500.00 and under;
 - (ii) those with a value of \$500.01 and over; and
 - (iii) compound interest "Blocks".
- (c) CRDs shall be segregated, packaged and shipped according to the instrument type the CRD represents. At the discretion of the Authorized Institution, CRDs may be separated from, or mixed with, instruments of the same type.

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Packaging

6. (a) Once segregated, the following instruments shall be packaged together in accordance with the procedures outlined in section 7 and prepared for shipping to the Bank of Canada in Ottawa:
 - (i) Canada Savings Bonds (series 31 and lower);
 - (ii) Other Government of Canada bonds;
 - (iii) Treasury Bills; and
 - (iv) Government of Canada Bond coupons (including Canada Savings Bond coupons).
- (b) Canada Savings Bond certificates, series 32 and higher, shall be packaged together in accordance with the procedures outlined in section 7 and prepared for shipping to New Canada Savings Bonds in Ottawa.
- (c) Receiver General Warrants shall be packaged together in accordance with the procedures outlined in section 7 and prepared for shipping to the Cheque Redemption Control Directorate (CRCD) in Matane.

Preparation of Batches, Listings, Pouches

7. (a) Instruments shall be batched in bundles of not more than 250 instruments and placed in special colour-coded pouches designated for this purpose. Each pouch may contain up to 3,000 instruments.
- (b) Each category and sub-category of instruments, defined in section 3(a) and subsection 5(b) of this Rule, shall be delivered in its own wrapper or envelope within each pouch.
- (c) A computerized listing shall be attached to each bundle, or listings shall be included in each pouch with the related instruments. Where the listings are not attached to the bundles, the bundles shall be numbered and a card placed in front of each bundle;

Notes: 1) The instruments shall be indicated on a listing in the same order as they are contained in the associated bundle.

2) Manual listings or recaps produced by an adding machine shall be securely attached to the instruments concerned.

- (d) The total number of pouches being presented for redemption shall be indicated on each pouch (e.g., 1 of 3, 2 of 3, 3 of 3);
- (e) In addition to the detailed listings of instruments which indicate the total amount for each bundle, the following shall be produced where possible and included in the appropriate pouch:
 - (i) a listing showing the amount for each bundle within a pouch and the total amount for the pouch; and
 - (ii) a listing showing the amount for each pouch and the total amount of the claim to be entered into the ACSS against the Bank of Canada.
- (f) Colour-coded pre-addressed labels provided by the Bank of Canada (refer to samples illustrated in Appendix I) shall be stamped with the processing Data Centre's return address in the upper left-hand corner and affixed to the pouches as follows:
 - (i) pouches destined to the Bank of Canada - beige labels;

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- (ii) pouches destined to the CRCD - yellow labels;
 - (iii) pouches destined to New Canada Savings Bonds - blue labels.
- (g) Details of individual Receiver General Warrants with a value of \$1,000,000 or over within a pouch shall be recorded on the outside of the pouch. Recorded details shall include the names of the payees and the amounts of the warrants.

Use of Alternate Packaging Containers

8. In the event a processing Data Centre depletes its supply of colour-coded pouches, an alternate container may be used to package instruments (e.g., envelope or box). These alternate receptacles shall be labelled and identified in the manner described in subsection 7(f).

Courier Pick-up

9. (a) The Bank of Canada/CRCD courier shall provide processing Data Centres with outer transportation bags.
- (b) Pouches shall be packaged and prepared for shipment by the pick-up times determined by the Bank of Canada and the CRCD and agreed to by Direct Clearers.
- (c) The processing Data Centre shall package its pouches in the outer transportation bags, provided by the courier. Colour-coded pre-addressed labels shall be stamped with the processing Data Centre's return address in the upper left-hand corner and affixed to these bags as follows:
- (i) bags containing pouches destined to the Bank of Canada - beige labels;
 - (ii) bags containing pouches destined to the CRCD - yellow labels;
 - (iii) bags containing pouches destined to New Canada Savings Bonds - blue labels.
- (d) The transportation bags shall be picked-up daily at each processing Data Centre by a Bank of Canada/CRCD courier.

Courier Service - National and Regional Banking Holidays

10. (a) There shall be no courier service on designated national banking holidays.
- (b) On regional and civic holidays, courier service shall be as follows:
- (i) in the region(s) where the holiday is celebrated, the transportation bags shall be picked up on the next business day; or
 - (ii) in the region(s) where the holiday is not celebrated, the transportation bags shall be picked up in accordance with the regular courier schedule.

Image Captured Payment Exchange

11. Subject to the exceptions listed in this Rule, all of the provisions related to the electronic exchange of ICP Items outlined in Rule A10 apply to Government of Canada Paper Instruments that are exchanged in ICP Files.
12. Prior to participating in ICP Exchange for Government of Canada Paper Instruments, each Direct Clearer shall ensure that consent is obtained from the Receiver General for the Exchange of Receiver General Warrants, or the Bank of Canada for the Exchange of eligible Canada Savings Bonds.

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- (b) No Contested Delivery shall be made in respect of a discrepancy in the volume of Government Items within a delivery, as opposed to a discrepancy in amount. Written notice of such a discrepancy shall be provided to the CPA as set out in Section 14 (c).

Errors in Deliveries

19. (a) Re-openings are not available for Government Items.
- (b) Where, in extraordinary or special circumstances, a gross error in value or stream has been made and the error is found after the 09:30 hours cut-off but before the LVTS Payments are issued, means for correction shall be as negotiated between the Direct Clearer causing the error and the Bank of Canada.
- (c) In order that corrections to totals can be reflected in the statistical reports, the Bank of Canada shall provide the CPA (see contact information in Appendix III), within two (2) Business Days, with the following written information regarding errors:
- i) Regional Exchange Point at which the error occurred;
 - ii) The class of Item(s);
 - iii) The number of Items involved; and
 - iv) The value involved.
- (d) All Adjustments found during reconciliation and verification shall be handled in accordance with section 20.

Manual Government Items Clearing Logs

20. For instructions on the entry of instruments on manually prepared Government Items Clearing Logs, refer to Rule G9.

Lost or Destroyed Warrants - Financial Institutions, Photocopy Not Available, Original Previously Presented, Original Subsequently Presented, Indemnity of Delivering Institution, Original Subsequently Located, Exceptional Cases

21. (a) Other than in the case of destruction under section 27, where a Receiver General Warrant is lost or destroyed while in the possession of a financial institution, a photocopy of the warrant may be delivered to the CRCD in its place.
- (b) The photocopy shall be attached to a debit slip which shall indicate that the photocopy represents a lost or destroyed warrant. A sample debit slip is attached as Appendix II. The following shall be included on the debit slip: serial number, warrant number, and telephone and facsimile numbers of the appropriate financial institution contact for matters relating to the photocopy.
- (c) Where the delivering institution is unable to obtain a photocopy of the reverse side of the warrant, a stamp guaranteeing the existence of the original endorsement(s) shall be placed on the reverse side of the photocopy. An authorized signature is also required on the reverse side of the photocopy.
- (d) The photocopy and debit slip shall be included within a regular delivery of instruments to the CRCD.
- (e) Where a photocopy of the warrant is not available, the following procedures shall apply:

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- (i) If the warrant number is available, the financial institution may attach a letter indicating the warrant number and all other available information on the warrant to a debit slip and include the letter and debit slip within a regular delivery of instruments to the CRCD.

Note: If the CRCD of Public Works and Government Services Canada is unable to reconcile the information provided by the financial institution with the relevant issue data, the debit slip and letter shall be returned to the financial institution.

- (ii) If, after making a reasonable effort, the financial institution is unable to determine the warrant number, the matter shall be dealt with in correspondence and the CRCD shall make a reasonable effort to assist the financial institution to determine the warrant number. Where the warrant number is determined and the request for reimbursement is accepted, the financial institution shall be reimbursed via a credit voucher issued by the CRCD.
- (f) Where the original of a warrant has already been presented, the CRCD shall return the photocopy or letter provided pursuant to subsection (a) or (e) to the delivering institution together with complete particulars, if available, as to how and from whom the original was received and as to the endorsements on the original.
 - (g) Where the original warrant is subsequently presented, the CRCD shall return the photocopy or letter to the delivering institution together with complete particulars, if available, as to how and from whom the original was received and as to any endorsements on the original.
 - (h) The delivering institution shall indemnify and save harmless Her Majesty the Queen in right of Canada from any loss or expense incurred directly in connection with any photocopy or letter provided to the CRCD pursuant to this section.
 - (i) If the original warrant subsequently comes into the possession of the delivering institution, the delivering institution shall provide the original to the CRCD free of entry.
- (j) In exceptional cases involving numerous lost or destroyed warrants (e.g., fire, crash of a courier vehicle), the financial institution may submit a listing of the warrants involved together with a debit slip for the total value of these warrants.

Lost/Destroyed Warrants - Bank of Canada

- 22. Other than in the case of destruction under section 27, in cases involving numerous lost or destroyed warrants, where these warrants were in the possession of the Bank of Canada, PWGSC or the designated courier, the Bank of Canada shall bear the cost of any reconstruction activity undertaken by financial institutions.

Mutilated Warrants

- 23. Where the CRCD receives a warrant which is mutilated to the extent that it cannot be reconciled, the CRCD shall return the warrant to the delivering institution together with a request for a photocopy of the warrant.

Reconciliation

- 24. Redeemed Receiver General Warrants presented by Authorized Institutions shall be reconciled by the CRCD. All other Instruments covered by this Rule are retained by the Bank of Canada for reconciliation.

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Adjustments

25. Government of Canada enquiries shall be directed to the Data Centre from which the Receiver General Warrants were delivered. Warrants requiring adjustment shall be reported through correspondence with the Data Centre from which the warrants were delivered.
26. No adjustment shall be pursued where the amount of the adjustment would be \$20.00 or less.
- (a) (i) Adjustments under \$5,000,000 in favour of the Receiver General for Canada shall be effected via the Bank of Canada debiting the delivering institution through the ACSS using Stream "E" or "L".
- (ii) Adjustments of \$5,000,000 or more in favour of the Receiver General for Canada shall be effected by the delivering institution sending an LVTS Payment Message to the Bank of Canada. The Bank of Canada shall provide the required details for the S.W.I.F.T. message.
- (b) (i) All Adjustments under \$5,000,000 in favour of the delivering institution shall be effected by the Bank of Canada sending an LVTS payment message to the Direct Clearer per standing instructions held by the Bank of Canada.
- (ii) Adjustments of \$5,000,000 or more in favour of the delivering institution shall be effected by the Bank of Canada sending an LVTS Payment Message to that delivering institution.
- (c) Where an adjustment of value \$50,000 and over for Government of Canada Warrants is required, the CRCD shall make a reasonable effort to notify the delivering institution of the impending adjustment within one (1) business day following the processing of the warrants involved at the CRCD.
- (d) No delivering institution shall adjust the amount on a delivery for the purpose of correcting an error on a previous delivery.

Note: Contingency arrangements shall be followed as dictated by ACSS procedures as described in the ACSS User's Guide and Rule G9. Cut-off times for Government items settlement may be extended as required by those contingency rules.

Destruction of Receiver General Warrants in the Case of CRDs or Images Created in Accordance with Rule A10

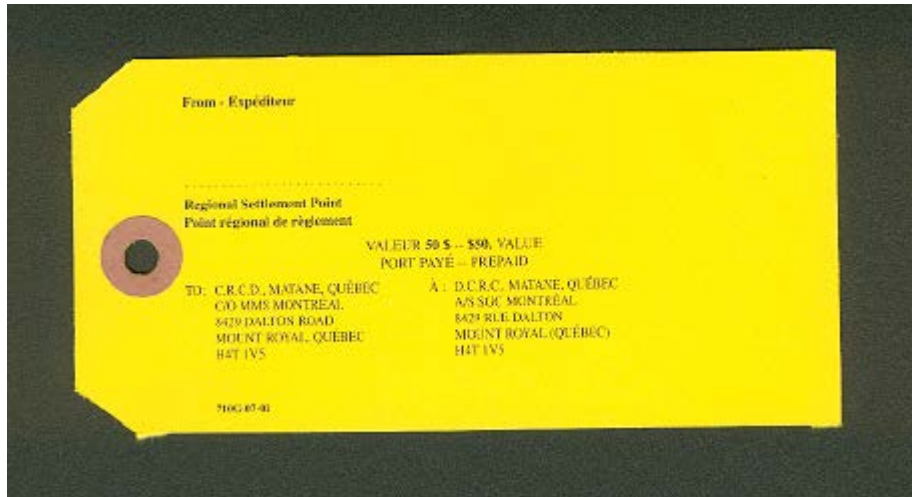
27. (a) A Capturing Member may destroy a Receiver General Warrant, in accordance with subsection (b), where a CRD or Image of the Receiver General Warrant has been created in accordance with Rule A10.
- (b) The destruction of a Receiver General Warrant as provided for in subsection (a) shall
- (i) be by way of shredding, pulping, burning, crushing, erasing or any other means that ensures that the Receiver General Warrant cannot be reused, as per the *Destruction of Paid Instrument Regulations*; and
- (ii) take place within the timeframes set out in Rule A10.
28. (a) Each Capturing Member that destroys, or purports to destroy, a Receiver General Warrant in accordance with section 27, is responsible for providing assurances to the Receiver General that

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such destruction is in accordance with this Rule. Such assurance shall be made when and as required by the Receiver General, by way of:

- (i) self-assessment by the management of the Capturing Member; and
 - (ii) the provision of written confirmation that the Capturing Member is in compliance with these Rules, and that any agreements between the Capturing Member and third-parties relating to destruction also address the requirements under these Rules.
- (b) On occasion, the Receiver General may be asked to sign an affidavit confirming destruction of specified paid instruments. Where a Receiver General Warrant has been destroyed by a Capturing Member, the Receiver General may require the Capturing Member to confirm that the CRD or Image created pursuant to section 22 is the best remaining evidence available to the Capturing Member by completing such documentation as requested by the Receiver General.

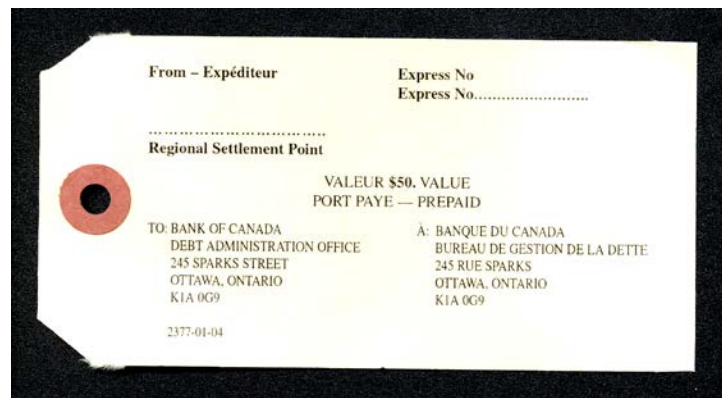
Colour-Coded Pre-Addressed Labels



YELLOW



BLUE



BEIGE

Sample Debit Slip

	(CPA MEMBER)/ (NOM DU MEMBRE DE L'ACP)	_____	(Date)/ (date)
		(Originating Data Centre/ (Centre informatique expéditeur)	
	The attached photocopy represents a warrant lost in transit, please arrange payment of this item. Full instructions are included in CPA Rule G3; do not remove any attachments if photocopy is not accepted.		
	La photocopie jointe correspond à un mandat perdu en cours d'échange; veuillez procéder au paiement de cet effet. Se référer aux instructions de la règle G3 du manuel de procédures intermembres. N'enlever aucune pièce jointe si la photocopie n'est pas acceptée.		
		_____	(Authorized Signature) (signature autorisée)
D E B I T	_____		
	(Member)/(Membre)		

	(Branch)/(Succursale)		

	(City)/(Ville) (Prov.)/(Prov.)		
		\$ _____	

	(Transit No.)/(No d'institution)		

	(Facsimile Number)/(No de télécopieur)		

	(Telephone Number)/(No de téléphone)	_____	(Warrant Number)/ (No de mandat)

The physical characteristics as to dimensions and paper quality of this document must conform to the requirements described in CPA Standard 006 "Standards and Specifications for MICR Encoded Documents".

CPA SERVICE DESK CONTACT INFORMATION

Hours of Availability

Twenty Four (24) hours per day, Seven (7) days per week

Telephone Number*

1-800-263-8863

Fax Number

1-613-907-1335

*** The telephone number is automatically re-routed to the alternate service desk in the event of a problem at the primary service desk.**